

Comments regarding Docket No. R-1366

I am writing to comment on the proposed rule change regarding yield spread premium (ysp). First, I would like to introduce myself. I am a mortgage broker licensed in the Commonwealth of Pennsylvania and have been so for the last seven years. I am a one-man business operation and the sole provider for my family. My business model has been to keep overhead low allowing me the ability to provide extremely competitive rates while providing, personal, high quality service to my customers. My compensation structure has remained the same since I started my company. I charge a flat mortgage broker fee of _____ and then offer a rate that provides yield spread premium just above par. In the end, I typically earn _____ - _____ total per loan closed. I treat my customers very fairly. This proposed rule will completely eliminate the competitive advantage that I have worked so hard to maintain and will, more than likely, force me to close the doors on a business that I have poured my life into for the last seven years .

I completely and whole-heartedly understand the reasons that you are proposing this rule change. I also applaud the efforts of The Board in leveling the playing field regarding this compensation by including retail originators and retail originating companies to have to disclose their ysp to the customer. The customer does need to be protected against unscrupulous loan originators from both the wholesale and retail channels; however, this proposal will handicap those of us who do treat our customers fairly and offer a valuable service to them.

I would like to offer the following suggestions to accomplish the same goal:

- 1) Prohibit the offering of “alternative” mortgage programs. Too many times I have helped customers refinance out of loans offered by others which did not suit their needs, but paid the originator and the employer of that originator a ridiculously large sum of money. The main example of this is the Option ARM product that was offered several years ago. This product was meant for such a small cross-section of consumers and, yet, was offered to many consumers who did not understand the product and did not truly benefit from it. Lenders enticed brokers with as large as 5.00% ysp on this loan type in order to get more of this type of business. I stayed the course and never offered one to my customers.
- 2) This brings me to my next point, limit the amount of ysp that a bank, direct lender, mortgage broker and their originators can earn not by a flat fee concept which would limit the possibility of the consumer obtaining the lowest possible rate, but by limiting the ysp percentage that can be earned for a rate offered. My suggestion would be to make the maximum ysp percentage earned 3.00% of the loan amount. Realizing that not all companies can operate as inexpensively as I do, I think that a 3.00% ysp cap would be fair to both the consumer and all entities originating mortgage loans.
- 3) Allow the regulation changes already made to Regulation X & Z and the changes in the market place as a whole an opportunity to flourish and have an impact in the marketplace. Recently implemented changes to Regulation X & Z provide consumers the opportunity to shop for their services and obtain protection from

unethical business practices that have victimized some consumers in the past. The market reaction to the housing bubble bursting and the large amount of foreclosures has eliminated most, if not all, of the “alternative” lending programs that have caused a significant amount of the problems that homeowners have faced during this turbulent time.

If you prohibit alternative programs to exist and limit, fairly, the percentage of compensation that all originators and originating companies (both retail and wholesale) can earn based upon rate offered, I feel very strongly that you will have accomplished your goals without infringing upon the ability of well-run, customer-focused businesses from offering competitively priced mortgage products with exceptional quality service. I fear that if you implement the proposed rule as it stands currently, it will likely adversely impact the business model that I have developed for my company and, in the end, will hurt the consumer by not permitting me to aggressively price mortgage products for their use.

I appreciate your time and consideration of my comments. You may contact me directly if I can be of further assistance in your deliberations on this matter.

Sincerely,

Jeremy J. McMichael, President
A Plus Mortgage Solutions, Inc.